

Purchasing Results That Matter Most

A Work in Progress

Nov. 4, 2002

To: Governor Locke

Re: Price of Government/ Priorities of Government project

From: Project Guidance Team, Peter Hutchinson and Wolfgang Opitz

Governor Locke:

As of November 4, 2002, this is the product of the Price of Government/ Priorities of Government project, which sought to answer four key questions:

1. How much revenue will we have for 2003-05 from whatever source?
2. What results form the core of what we must do and do well to serve the citizens of Washington?
3. How much can we/ will we spend to achieve each result?
4. How best can we spend that money to achieve our core results?

This product does not constitute a budget proposal. Rather, it provides a specific and detailed prioritization of government activities and services based on their contribution in achieving specific results for Washington State government.

Results

At the onset of the project we identified ten core results that government should deliver to the citizens of the state. We decided that resources used to achieve those results would be limited to current revenue estimates. Then, we allocated those resources on a percentage basis reflecting relative priorities among the ten results.

Spending priorities shift

While living within current revenue estimates, our allocations generally gave more money than currently available to K-12 schools, higher education, economic development and natural resources. Less money than currently available went to public safety and health care.

Over a period of weeks, teams comprised of your senior budget and policy staff and key agency personnel scrutinized *every* activity of this government. Initially relying on only those resources explicitly allocated to each team, they reprioritized how the money is spent, funding those activities that best achieve the results assigned to each team.

State government as a single enterprise

The teams next were challenged to look beyond the borders of their own areas to find funding solutions, and to view state government as a single enterprise. The purpose was to address cross-cutting activities not only central to achieving one team's result but also important in achieving results assigned to another team. In those cases, teams bargained

with one another to ensure that as many cross-cutting, high-value added functions as possible were included in the teams' final prioritization.

Budget priorities that people want

This project has created a set of budget strategies and priorities to achieve results that most citizens likely would agree correspond to their own feelings about what government should do.

- Implementing the strategies, however, will require difficult and controversial decisions by both your office and the Legislature.
- It is OFM's next task to develop a biennial budget proposal guided by the priorities established by this project. A key assumption that each team started with was to treat all state dollars as available to spend to best achieve their assigned result. However, the 2003-05 budget will need to deal directly with the limitations that come with dedicated funds and trust accounts.
- Funding recommendations will be based on whether an activity, service or program contributes to the results we want from government.
- Our message to the Legislature will be that it shape a budget based on these same criteria.

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1. The Context: Not Business as Usual

Government in Washington faces its most serious fiscal challenge in recent history. The total shortfall between “business as usual” and fiscal reality could equal 10% of our budget.

In the face of such a challenge, a “business as usual” approach to the budget would be both inappropriate and insufficient.

A business as usual approach would have begun with the existing budget and focused on cutting programs until general fund spending was reduced to match revenue.

Instead, we have chosen to pursue an approach that starts with the revenue available from all funds – both state and local – but assumes no spending commitments. It then chooses which spending to add to the budget in order to deliver results that matter most to the citizens of Washington. In this results-based budget, all options are on the table and nothing is assumed as a given other than that each decision to spend must be based on its contribution to the results that matter most.

In doing so the Governor challenged the budget process to focus on four crucial questions:

1. How much revenue will we have for 2003-05 from whatever source?
2. What results form the core of what we must do and do well to serve the citizens of Washington?
3. How much can we/ will we spend to achieve each result?
4. How best can we spend that money to achieve our core results?

2. The Approach

Three groups have been working to draft answers to these questions:

- Group 1.* A Guidance Team of senior government officials and private sector representatives to guide the overall process.
- Group 2.* A Staff Team from OFM to support the process.
- Group 3.* Ten Results Teams of agency, OFM and policy staff to develop specific strategies for achieving their assigned results.

These teams have worked through a set of increasingly challenging “tollgates” to formulate and specify their draft responses.

August 23 – Established the overall process goals and schedule.

September 17 – Established the following:

- Revenue available (called the Price of Government)
- Priorities of Government – the critical results that matter most
- Allocation of the revenue to the priorities as a point of departure
- Tools for teams to use in achieving the results (see appendix)
- Enterprise-wide strategies (see appendix)

October 10 – Drafted the overall architecture for each result including:

- Indicators for measuring progress
- Key factors that drive the result
- A causal map – showing how the factors impact the result

October 14 – Drafted the overall “purchase plan,” or strategy for using available resources to purchase each result. Staff Team recommendations re: Enterprise-wide strategies.

October 28 – Drafted a more detailed purchase plan for achieving each result including:

- Key activities (including costs and priorities)
- Activities or results purchased from other teams
- Major innovations
- Changes from current practice
- What to add next if resources become available

November 4 – Completed the final package.

3. Revenue - The Price of Government

For the 2003-05 Biennium, revenue is set at a level consistent with the current forecast (i.e. assumes no tax or other revenue increases). This revenue includes all taxes, fees and charges by state government in order to account for revenue from all sources. This represents the single, most comprehensive measure of the revenue generated by governments in Washington.

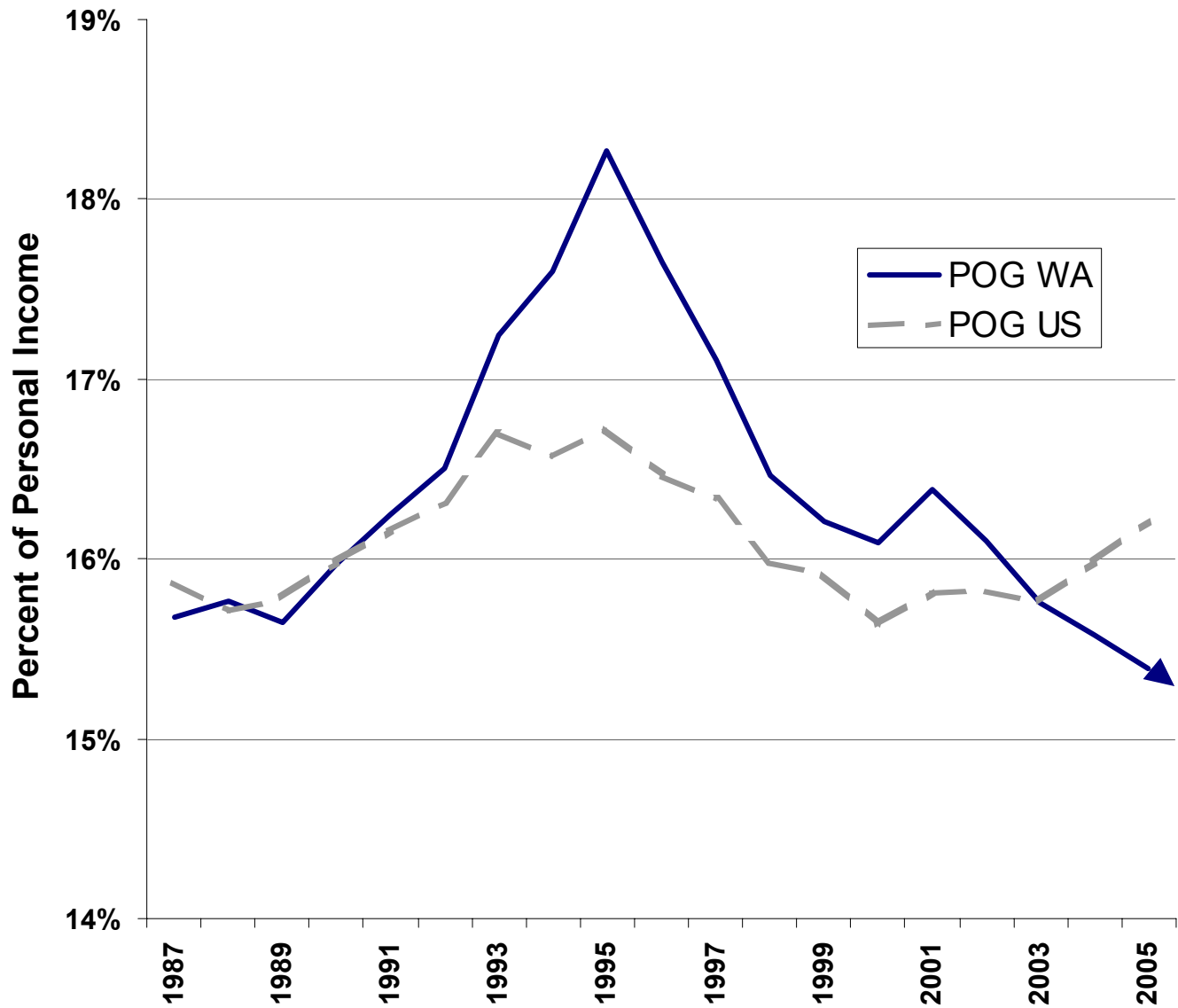
This comprehensive measure can be compared over time and among states by calculating it as a proportion of personal income. It is the “revenue burden” that government places on its citizens. And we call this the “price of government” (POG). It is calculated as the ratio of all taxes, fees and charges (including workers compensation and unemployment insurance premiums) paid by businesses and citizens to state and local governments, divided by Washington’s aggregate personal income.

This price of government answers the first of the four critical questions listed earlier: How much revenue does the forecast tell us we have from whatever source?

Competitiveness – The competitiveness of a state’s POG depends on its relationship to other states and the effectiveness with which that POG is used to buy services that deliver value – i.e. results that matter for every dollar. A competitive POG is low enough so that it does not act as a drag on the economy, yet high enough to buy quality services needed to support the health of communities and the economy.

Washington’s POG – Over the last 30 years Washington’s price of government generally has been about equal to the U.S. average and below that of its peer states. Over the last 10 years, Washington’s POG has shifted dramatically. Since 1995, Washington’s POG has dropped significantly and is forecast to continue to drop to a level well below the national average.

WA and US POG



4. The Priorities of Government – What Government Must Do, and Do Well

The state and local revenue that makes up the POG is to be used to purchase the results listed below. These results are an answer to the second crucial question: What results form the core of what we must do and do well to serve the citizens of Washington?

END RESULT	Indicators of Success
1. Increase student achievement in elementary, middle and high schools.	<ul style="list-style-type: none">● Reduced gaps in student achievement● Improved test scores● Increased high school graduation rates
2. Improve the quality and productivity of the workforce.	<ul style="list-style-type: none">● Increased possession of skills and abilities required by employers● Increased employment rate● Increased earnings levels
3. Deliver increased value from post secondary learning.	<ul style="list-style-type: none">● Increased % of adults completing certificates/degrees● Increased graduate/ student satisfaction● Increased # of students prepared to meet workforce needs
4. Improve the health of Washingtonians.	<ul style="list-style-type: none">● Improved index of epidemiological measures (Washington Report Card on Health)● Improved self-assessment of health● Improved access
5. Improve the condition of vulnerable children and adults.	<ul style="list-style-type: none">● Increased % living above poverty line● Increased % living in permanent, safe home or community settings● Increased % who make progress toward self-sufficiency
6. Improve economic vitality of businesses and individuals throughout the state.	<ul style="list-style-type: none">● Increased % of people employed● Increased % of prosperous individuals● Increase % of profitable businesses
7. Improve the mobility of people, goods, information and energy.	<ul style="list-style-type: none">● Sufficient capacity/demand● Minimized delay and downtime● Fair and reasonable pricing

END RESULT	Indicators of Success
8. Improve the safety of people and property.	<ul style="list-style-type: none"> ● Reduced preventable injury and loss ● Increased emergency response ● Increased citizen confidence of their safety in community
9. Improve the quality of Washington's natural resources.	<ul style="list-style-type: none"> ● Improved % of days with healthy air ● Improved % of water bodies/sources that meet quality standards ● Reduced rate of land converted to urban areas ● Improved trends in fish stocks and wildlife populations
10. Improve cultural and recreational opportunities throughout the State.	<ul style="list-style-type: none"> ● Increased availability/ access ● Increased participation ● Increased satisfaction

Together, the price of government and the priorities of government set up the challenge – get the best results for Washington citizens with the resources that are available.

5. Summary of Priorities

The initial allocations gave a higher percentage of resources to education, transportation, economic vitality and natural resources than the current budget does while providing a lower percentage to health and public safety. In addition, the overall allocation was intended to provide no more resources than the current forecast.

The following are the highest and lowest priorities that emerged from this review of all activities:

Top Priorities – Major Purchases/ Innovation Purchased	Lowest Priorities - Major Activities Not Purchased
A bigger investment in early childhood education	Most of the current non-basic education programs – including class size reduction funding
Targeted spending of K-12 resources – aimed at improved achievement and accountability	The continued incarceration and supervision of low risk offenders (one-eighth, or 2,000 out of 16,000 prisoners); two-thirds of those on supervised release)
Major increase in higher education enrollments; linkage of new funding to changes in governance, credit transfer and course articulation	Consumer protection activities and regulation of professional services
Increased investment in public health systems	Much of the Basic Health Program and other medical coverage
Greater connection between employer needs and the workforce systems	Workers' Compensation payments to the permanently disabled
Expanded preservation of WA's natural resources	Many advocacy groups and commissions
Tort reform	
Additional new highway construction projects	
Major reforms to regulatory processes	
Greater targeting of all resources	
Consolidation of funds and programs	

CRITICAL RESULTS

INDICATORS

MAJOR PURCHASE STRATEGIES

1. Increase student achievement in elementary, middle and high schools

- Reduced gaps in student achievement
- Improved test scores
- Increased high school graduation rate

- Focus the base dollars
- School-ready kids and families
- Student-ready teachers
- Learning-ready schools
- High school connections to college/jobs

2. Improve the quality and productivity of the workforce

- Increased possession of Skills and abilities required by employers
- Increased employment rate
- Increased earnings level

- Initial career preparation during P-12
- Career preparation beyond high school
- Upgrade skills of current workers
- Return unemployed to work
- Information and accountability

3. Deliver increased value from post secondary learning

- Increased percentage of adults completing certificates/degrees
- Increased graduate/student satisfaction
- Increased number of students prepared to meet workforce needs

- Improve student P-12 preparation
- System-wide efficiencies/accountability
- Increase capacity
- Maintain affordability
- Streamline transitions
- Improve program quality/responsiveness to workforce needs

4. Improve the health of Washingtonians

- Improved index epidemiological measures (Washington Report Card on Health)
- Individual self-assessment of health
- Improved access

- Increase healthy behaviors
- Mitigate environmental hazards
- Identify and mitigate risk factors
- Provide access to appropriate health care

5. Improve the condition of vulnerable children and adults

- Increased percentage living above the poverty line
- Increased percentage living in permanent, safe homes or community settings
- Increased percentage who make progress toward self-sufficiency

- Intervene/address immediate risk
- Mitigate probable risk
- Prevention – move to self-sufficiency

A c t i v i t i e s

CRITICAL RESULTS

INDICATORS

MAJOR PURCHASE STRATEGIES

6. Improve economic vitality of businesses and individuals throughout the state

- Increase percentage of people employed
- Increase percentage of prosperous individuals
- Increase percentage of profitable businesses

- Foster profitable businesses
- Create prosperous communities
- Foster prosperous individuals

7. Improve the mobility of people, goods, information and energy

- Sufficient capacity/demand
- Minimized delay and downtime
- Fair and reasonable pricing

- Maximize system capacity
- Balance the demands on existing systems

8. Improve the safety of people and property

- Reduced preventable injury and loss
- Increased emergency response
- Increased citizen confidence of their safety in community

- Prevention
- Preparedness
- Response

9. Improve the quality of Washington's natural resources

- Improved percentage of days with healthy air
- Improved percentage of water bodies/sources that meet quality standards
- Reduced rate of land converted to urban areas
- Improved trends in fish stocks and wildlife populations

- Manage the damage
- Preserve and restore natural systems
- Harvest the value
- Data for better decisions
- Regulatory reform
- Public knowledge and education

10. Improve cultural and recreational opportunities throughout the state

- Increased availability/access
- Increased participation
- Increased satisfaction

- Provide stewardship/meet quality standards
- Make access easy/affordable
- Strategically target development
- Ensure quality experience
- Measure satisfaction

A c t i v i t i e s

Summary of Individual Team Results

1. Increase student achievement in elementary, middle and high schools.

Buying –

Bigger investment in early childhood education – a conscious choice to call it P-12 rather than K-12.

- Readiness for kindergarten standards to help inform parents and providers.
- Expanded pre-school ‘slots’ for low-income.

Stronger accountability.

- Standards including kindergarten readiness and certificates of mastery.
- Assistance and intervention with more Focused Assistance Schools.

A start toward teacher and provider pay based on knowledge and skills.

More attention on middle and high schools.

Greater links to post-secondary learning and the workplace (career planning and apprenticeships).

Innovations and trade-offs –

Move away from equal funding (averaged funding) to target funds to highest need schools and kids.

Redirect professional development dollars - to get weekly collaborative time for teachers and structured after school time for kids.

Fewer non-basic education funds, including class size reduction funds.

2. Improve the quality and productivity of the workforce.

Buying –

Income support for unemployed or injured workers temporarily out of the job market – likely to be reemployed.

Bigger investment in training and skill development – additional funds for technical schools and community colleges aimed at improving basic academic skills (e.g. ESL).

Financial aid for under-employed (bottom one-third of workforce) who are changing careers.

Continuation of today's basic workforce development support systems.

Leveraged investments within education teams to buy:

- More career exploration and apprenticeships while in P-12.
- Most in demand “soft skills” inside post-secondary – working in teams and real-work experience through more internships.

Innovations and trade-offs –

Consolidate current information about what employers want for system improvements and for students to use. Capture information from current labor market surveys, and many employer advisory groups.

Low priority for Worker's Compensation for the permanently disabled.

3. Deliver increased value from post secondary learning.

Buying –

Streamlined transitions – decreased time to earn degrees means more served.

- Earning credits in P-12.
- Statewide credit transfer.

Capacity expansion without “bricks and mortar” expansion – 28,000 slots, including more than 6000 in “high demand.”

Competency based system for certificates and degrees.

- College readiness standards (useful to P-12).
- Use skill and knowledge, not “seat time.”

Targets recruitment and retention of those students traditionally underserved.

Quality enhancements for students including new funding of \$1,000 per student and pooled funds for recruiting and retaining great teachers.

Innovations and trade-offs –

Direct funds for specific purposes through provisos including:

- Governance changes – to target resources toward these results.
- Getting capacity from expanding the mission of branch campuses and some community colleges to four-year, contracting out and distance learning.
- Moving from COLA toward pooled funds to attract and retain most valuable faculty.
- Redirecting unspecified 5 percent of base.

Guidance if final budget is NOT this big.

4. Improve the health of Washingtonians.

Buying –

Put first dollars toward clean water, safe food, public health infrastructure, prevention of injury and promoting healthy behaviors as these produce better health outcomes for entire population of Washington.

Direct care at Federal mandated levels – serve most vulnerable populations.

Basic safety net for those who lose BHP coverage:

- \$30 million for public health infrastructure.
- \$50 million for community clinics and providers.

Design of new LT models to move the direct care system beyond the insurance model.

Innovations and trade-offs –

Low priority (i.e. not buy) for much of BHP (e.g. childless adults) and other federally “optional” services such as hearing, vision and non-emergent dental care.

Minimize harm of these short term cuts through development of an alternative safety net and covering most vulnerable populations under BHP.

Improve chances of long-term solutions with three new models:

- Broader purchasing and risk pooling.
- Creating a private, non-profit option with state “control” through performance contracts.
- Regional, “lock grant” delivery systems – locally tailored.

5. Improve the condition of vulnerable children and adults.

Buying –

Priority for who is served – kids and disabled living in poverty.

Priority for government – first address and remove immediate risk. In other words, fund basic child and adult protection, housing, food and health.

Then address “probable risk,” such as outpatient treatment and child care.

New integrated service delivery options, especially for P-12 kids and in consolidating housing funds.

Innovations and trade-offs –

Innovation is not in who is served, or what role government has, but the prioritization of purchases and in new, integrated delivery models.

Little or no funds available for broad “prevention” services that promote self-sufficiency in the general population.

Put \$1 million (hoping for private match) for research and development to identify what really works (success models).

6. Improve economic vitality of businesses and individuals throughout the state.

Buying –

Most of today's programs.

Invests more in community infrastructure, research and development, and marketing as building blocks for future economic expansion.

Better business and entrepreneurial climate through regulatory reform and a focus on improving speed, including "quick sites" ready for re-location or expansion.

Some Unemployment Insurance as it contributes to individual vitality and has been proven to lessen overall deeper affects of recessions (mitigates cycles by 17 percent).

\$80 million of tax relief for due-to-sunset research and development tax incentives.

Innovations and trade-offs –

Set a direction to tie a complete package around the industries Washington promotes – infrastructure, workforce development and technology.

Policy change to tie and align marketing and promotion with technology development and technology transfer.

Expect private sector contribution inside promotion of single industries or groups.

Invest in "quick sites."

Low priority (i.e. not buy) for regulation of professions or liquor control.

7. Improve the mobility of people, goods, information and energy.

Buying –

Funds existing road and public transit capacity.

Moves preservation beyond “worst-first” fixes to regularly scheduled preservation (reducing life cycle cost).

Nearly triples the state investment in highway safety projects.

Nearly triples planned investment for 2003-05 in new highway projects to move people and goods.

Buys additional information access to substitute for physical (face to face) access.

8. Improve the safety of people and property.

Buying –

Uses “risk to re-offend” assessment in allocating confinement and supervision resources.

Strengthens and expands community mobilization for crime prevention purposes.

Innovations and trade-offs –

Lowest priority to incarceration and supervision of low risk offenders - one-eighth (2,000 out of 16,000) of prisoners and two-thirds of prisoners released.

Convert high-security center for civilly committed sex offenders to intensive community supervision.

Cap “tort payments” for crime victims and redirects the funds saved to a “need-based” victim compensation system.

9. Improve the quality of Washington's natural resources.

Buying –

Doubles money for preservation of land and water.

Major regulatory reform, aimed at making it easier to comply while keeping high levels of compliance (e.g. clear standards, expanded technical assistance, reporting of compliance information, etc.).

Invests in the use of data that's captured today to drive better decisions.

Invests in grants to local governments for planning and implementation of the Growth Management Act, Shoreline Management Act and other natural resource protection laws.

Continues and expands support and technical assistance for local watershed and salmon recovery planning efforts.

Supports major infrastructure investments for water quality, quantity, water storage and drinking water, as well as improvements to state fish hatcheries and forest roads.

Innovations and trade-offs –

Consolidate natural resources capital grant administration to improve targeting of resources to achieve statewide goals.

Securitize a portion of the Water Quality Account and Local Toxics Account to accelerate clean-up of the state's waters and hazardous substances.

Set a direction to sort specific dedicated funds into broader categories to drive additional results – a good challenge.

Redirect some shoreline and flood management monies toward local land use efforts.

Make major enhancements in the operations and maintenance of state lands and recreation facilities as well as acquiring additional habitat lands.

10. Improve cultural and recreational opportunities throughout the state.

Buying -

Funds today's diverse mix of cultural and recreational opportunities throughout the state.

Gathers data from users about needs and satisfaction to guide future decisions.

Provides improved access – (e.g. consolidated information, simplifies permitting and admissions).

Provides for improvements in quality before more offerings.

Innovations and trade-offs –

Provide clear prioritization guidance if final budget is NOT this big.